

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Lyon Township</b>	County <b>Roscommon</b>
Audit Date <b>3/31/05</b>	Opinion Date <b>8/10/05</b>	Date Accountant Report Submitted to State: <b>12/22/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

**We have enclosed the following:**

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Anderson &amp; Decker, P.C.</b>			
Street Address <b>P.O. Box 746</b>	Digitally signed by Jim DN: cn=Jim Reason: I am the author of this document Date: 2005.12.21 22:12:58 -05'00'	City <b>Roscommon</b>	State <b>MI</b>
Accountant Signature 		ZIP <b>48653</b>	Date <b>12/22/05</b>

**TOWNSHIP OF LYON**  
**ROSCOMMON COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

**TOWNSHIP OFFICIALS**

Supervisor

Paul Tatro

Clerk

Anna Reno

Treasurer

Craig Williams

**TRUSTEES**

George Dougherty

Fred Koenigbauer

# TOWNSHIP OF LYON

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# Anderson & Decker, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

### INDEPENDENT AUDITORS' REPORT

August 10, 2005

Township Board  
Lyon Township  
Roscommon County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Lyon, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion based on these financial statements on our audit.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund activity, and the aggregate remaining fund information of the Township of Lyon, as of March 31, 2005, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2005, on our consideration of the Township of Lyon's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

As described in Note B, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of March 31, 2005.

The management's discussion and analysis on pages 3-8 and budgetary comparison information on pages 27-35 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.



ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## TOWNSHIP OF LYON MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lyon Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2005.

### **Financial Highlights**

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,563,428 (*net assets*). Of this amount, \$914,599 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- . The Township's total net assets increased by \$147,039.
- . As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$273,961, an increase of \$7,373 in comparison with the prior year.
- . At the end of the current fiscal year, unreserved fund balance for the general fund was \$273,961 or 95% of total general expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TOWNSHIP OF LYON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and cultural. The Township does not have any business-type activities as of and for the year ended March 31, 2005.

The Government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Road Improvement, Fire, Sanitation, Cemetery and Building Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-15 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.



TOWNSHIP OF LYON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-26 of this report.

**Government-wide Financial Analysis**

*(Because this is the first year of implementation of Governmental Accounting Standards Board Statement No. 34, which requires, which requires this new reporting model, the following tables present only current year data. In future years, when prior-year information is available, comparative analysis of Township-wide data will be presented.)*

A portion of the Township's net assets (30%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

**Township's Net Assets**

	<u>Governmental Activities</u>
Current and Other Assets	\$ 1,175,428
Capital Assets, Net	<u>464,130</u>
Total Assets	1,639,558
Current Liabilities	<u>76,130</u>
Total Liabilities	76,130
Net Assets:	
Invested in Capital Assets, Net	
Of Related Debt	464,130
Restricted	184,699
Unrestricted	<u>914,599</u>
<b>Total Net Assets</b>	<u><u>\$ 1,563,428</u></u>

TOWNSHIP OF LYON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Township's net assets increased by \$147,039 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, decreased by \$47,123 or 5%, during fiscal year 2005.

**Township's Changes in Net Assets**

	<u><b>Governmental Activities</b></u>
<b>Revenue:</b>	
Program Revenue:	
Charges for services	\$ 86,704
Operating Grants and Contributions	16,709
Capital Grants and Contributions	61,740
General Revenue:	
Property Taxes	611,830
State-Shared Revenues	106,524
Interest	9,534
Other	<u>13,762</u>
<b>Total Revenue</b>	<u>906,803</u>
<b>Expenses:</b>	
General Government	278,404
Public Safety	179,488
Public Works	296,890
Recreation and cultural	<u>4,982</u>
<b>Total Expenses</b>	<u>759,764</u>
<b>Increase in Net Assets</b>	147,039
Net Assets, Beginning of Year	<u>1,416,389</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 1,563,428</u></u>

**Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWNSHIP OF LYON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,099,298 an increase of \$28,875 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 83% of this total amount.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 95% of total general fund expenditures.

The fund balance of the General Fund increased by \$7,373 during the current fiscal year.

**General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Road Improvement, Fire, Sanitation, and Building Funds.

**Capital Assets and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of March 31, 2005, amounted to \$464,130 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$160,618 for the fiscal year.

**Township's Capital Assets**  
(net of depreciation)

Land	\$ 1,501
Buildings and Improvements	141,787
Machinery and Equipment	<u>320,842</u>
<b>Total</b>	<b><u>\$ 464,130</u></b>

Additional information on the Township's capital assets can be found in note F on page 25 of this report.

TOWNSHIP OF LYON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2005-2006 fiscal year:

- . The State of Michigan has made significant cuts in their operating budgets due to a down turn of the economy. For 2004-2005, the Township received \$98,517 in state shared revenues, representing 33% of the revenues in the General Fund. The amounts of state shared revenues for future periods is uncertain and will affect the Township's budget.

**Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Lyon Township  
PO Box 48  
Higgins Lake, MI 48627**

TOWNSHIP OF LYON  
STATEMENT OF NET ASSETS  
MARCH 31, 2005

ASSETS	<u>Governmental Activities</u>
Current Assets:	
Cash and investments	\$ 477,464
Receivables:	
Accounts Receivable	26,442
Taxes and Assessments	620,261
Other Governmental Units	15,438
Deposit on Equipment	<u>35,823</u>
Total Current Assets	1,175,428
Non-Current Assets:	
Capital Assets - Net	<u>464,130</u>
Total Assets	<u>1,639,558</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	<u>76,130</u>
Total Current Liabilities	<u>76,130</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	464,130
Restricted	184,699
Unrestricted	<u>914,599</u>
Total Net Assets	<u>\$ 1,563,428</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2005

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
GOVERNMENTAL ACTIVITIES					
General	\$ (278,404)	\$ 14,109	\$ -0-	\$ -0-	\$ (264,295)
Public Safety	(179,488)	72,143	5,000	61,740	(40,605)
Public Works	(296,890)	452	11,709	-0-	(284,729)
Recreation and Cultural	<u>(4,982)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(4,982)</u>
Total Governmental Activities	<u>\$ (759,764)</u>	<u>\$ 86,704</u>	<u>\$ 16,709</u>	<u>\$ 61,740</u>	<u>(594,611)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purpose					116,491
Public Safety					243,791
Public Works					251,548
State Shared Revenue not restricted to specific purposes					106,524
Miscellaneous					13,762
Investment Earnings					<u>9,534</u>
Total General Revenues					<u>741,650</u>
Change in Net Assets					147,039
Net Assets - April 1					<u>1,416,389</u>
Net Assets - March 31					<u>\$ 1,563,428</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
COMBINING BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2005

ASSETS	<u>General</u>	<u>Road Improvement</u>
Cash and investments	\$ 112,019	\$ 17,314
Taxes receivable	124,922	48,868
Due from other Governmental Units	15,438	-0-
Accounts receivable	24,542	1,900
Deposit on equipment	<u>-0-</u>	<u>-0-</u>
Total Assets	<u>\$ 276,921</u>	<u>\$ 68,082</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	\$ <u>2,960</u>	\$ <u>-0-</u>
Total Liabilities	<u>2,960</u>	<u>-0-</u>
Fund Equity:		
Fund balance:		
Designated for fire equipment	-0-	-0-
Undesignated	<u>273,961</u>	<u>68,082</u>
Total Fund Equity	<u>273,961</u>	<u>68,082</u>
Total Liabilities and Fund Equity	<u>\$ 276,921</u>	<u>\$ 68,082</u>

The accompanying notes are an integral part of these financial statements.

<u>Fire</u>	<u>Sanitation</u>	<u>Building</u>	<u>Totals</u>
\$ 244,195	\$ 103,555	\$ 381	\$ 477,464
243,791	202,680	-0-	620,261
-0-	-0-	-0-	15,438
-0-	-0-	-0-	26,442
<u>35,823</u>	<u>-0-</u>	<u>-0-</u>	<u>35,823</u>
<u>\$ 523,809</u>	<u>\$ 306,235</u>	<u>\$ 381</u>	<u>\$ 1,175,428</u>

<u>\$ 73,170</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 76,130</u>
<u>73,170</u>	<u>-0-</u>	<u>-0-</u>	<u>76,130</u>

184,699	-0-	-0-	184,699
<u>265,940</u>	<u>306,235</u>	<u>381</u>	<u>914,599</u>
<u>450,639</u>	<u>306,235</u>	<u>381</u>	<u>1,099,298</u>
<u>\$ 523,809</u>	<u>\$ 306,235</u>	<u>\$ 381</u>	<u>\$ 1,175,428</u>



TOWNSHIP OF LYON  
RECONCILIATION OF FUND BALANCES ON BALANCE SHEET  
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF  
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
MARCH 31, 2005

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES \$ 1,099,298

Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets used in governmental activities are  
not current financial resources and therefore are  
not recorded in the funds. This represents the  
amounts by which capital assets used in  
governmental funds exceeds accumulated deprecia-  
tion.

464,130

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 1,563,428

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS  
 YEAR ENDED MARCH 31, 2005

	<u>General</u>	<u>Road Improvement</u>	<u>Fire</u>
Revenues:			
Taxes and assessments	\$ 116,491	\$ 48,868	\$ 243,791
Intergovernmental	106,524	-0-	61,740
Charges for services	57,577	-0-	-0-
Licenses and permits	2,805	-0-	-0-
Interest	1,847	721	4,260
Other	<u>12,932</u>	<u>11,709</u>	<u>5,000</u>
Total Revenues	<u>298,176</u>	<u>61,298</u>	<u>314,791</u>
Expenditures:			
General government	281,895	-0-	-0-
Building administration	3,615	-0-	-0-
Fire	-0-	-0-	265,760
Sanitation	-0-	-0-	-0-
Road projects	-0-	88,410	-0-
Recreation and cultural	<u>2,848</u>	<u>-0-</u>	<u>-0-</u>
Total Expenditures	<u>288,358</u>	<u>88,410</u>	<u>265,760</u>
Excess:			
Revenue over (under) expenditures	<u>9,818</u>	<u>(27,112)</u>	<u>49,031</u>
Other financing sources (uses):			
Operating transfers in	-0-	-0-	-0-
Operating transfers (out)	<u>(2,445)</u>	<u>-0-</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(2,445)</u>	<u>-0-</u>	<u>-0-</u>
Excess:			
Revenue & other financing sources over(under) expenditures & other Uses	7,373	(27,112)	49,031
Fund Balance - April 1	<u>266,588</u>	<u>95,194</u>	<u>401,608</u>
Fund Balance - March 31	<u><u>\$ 273,961</u></u>	<u><u>\$ 68,082</u></u>	<u><u>\$ 450,639</u></u>

The accompanying notes are an integral part of these financial statements.

<u>Sanitation</u>	<u>Building</u>	<u>Totals</u>
\$ 202,680	\$ -0-	\$ 611,830
-0-	-0-	168,264
-0-	-0-	57,577
-0-	26,700	29,505
2,681	25	9,534
<u>452</u>	<u>-0-</u>	<u>30,093</u>
<u>205,813</u>	<u>26,725</u>	<u>906,803</u>
-0-	-0-	281,895
-0-	29,039	32,654
-0-	-0-	265,760
206,361	-0-	206,361
-0-	-0-	88,410
<u>-0-</u>	<u>-0-</u>	<u>2,848</u>
<u>206,361</u>	<u>29,039</u>	<u>877,928</u>
<u>(548)</u>	<u>(2,314)</u>	<u>28,875</u>
-0-	2,445	2,445
<u>-0-</u>	<u>-0-</u>	<u>(2,445)</u>
<u>-0-</u>	<u>2,445</u>	<u>-0-</u>
(548)	131	28,875
<u>306,783</u>	<u>250</u>	<u>1,070,423</u>
<u>\$ 306,235</u>	<u>\$ 381</u>	<u>\$ 1,099,298</u>

TOWNSHIP OF LYON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2005

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 28,875

Amounts reported for governmental activities in the  
Statement of Activities are different because:

Governmental funds report capital outlays as  
expenditures. However in the statement of  
activities, the cost of these assets are  
capitalized and depreciation charged to expense  
over their useful life.

118,164

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 147,039

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2005

ASSETS		
Cash and Investments		<u>\$ 575,670</u>
LIABILITIES		
Undistributed Collections		<u>575,670</u>
Total Liabilities		<u>575,670</u>
NET ASSETS		
Net Assets		<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED MARCH 31, 2005

REVENUES	
Property Tax Collections	\$ 3,554,203
Interest Collections	<u>6,844</u>
Total Revenues	<u>3,561,047</u>
EXPENDITURES	
Property Taxes	3,554,203
Other	<u>6,844</u>
Total Expenditures	<u>3,561,047</u>
Excess of Revenues over Expenditures	-0-
Net Assets - April 1	<u>-0-</u>
Net Assets - March 31	<u>\$ -0-</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005

NOTE A: ENTITY

The Township of Lyon is a general law township of the state of Michigan located in Roscommon County, Michigan. It operates under an elected board and provides services to its residents in many areas including liquor law enforcement, community enrichment, and human services. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of Lyon (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Lyon conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

On April 1, 2004, the Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - And Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a Township-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items are not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and select compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Improvement Fund* is used to account for road special assessment collections and corresponding improvement expenditures.

The *Fire Fund* is used to account for all financial activity related to the Township's fire and ambulance service. The main source of revenue is derived from property taxes and ambulance fees.

The *Sanitation Fund* is used to account for the Township's refuse pick-up services. The primary source of revenue is derived from property tax assessments.



TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Township also reports the following non-major governmental fund:

Building Fund

Additionally, the Township reports the following fund types:

*Agency Funds* are used to account for assets held on behalf of outside parties, including other governments.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2004, are recorded as revenue in the current year. The Township's taxable value for the 2004 tax year totaled \$107,255,462.

The tax rates for the year ended March 31, 2005, were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	1.0885 mills per \$1,000
Road Improvements	.4571 mills per \$1,000
Fire	2.2799 mills per \$1,000
Sanitation	Special Assessment

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2005

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure), is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	30-50
Public domain infrastructure	8-50
Equipment	3-20

LONG-TERM OBLIGATIONS - In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2005

NOTE C - CASH AND INVESTMENTS

The captions or combined balance sheet related to deposits and investments are as follows:

	<u>Cash and Deposits</u>	<u>Investments</u>	<u>Totals</u>
Government Activities	\$ 1,500	\$ 475,964	\$ 477,464
Agency Funds	<u>-0-</u>	<u>575,670</u>	<u>575,670</u>
Totals	<u>\$ 1,500</u>	<u>\$ 1,051,634</u>	<u>\$ 1,053,134</u>

The Government Accounting Standards Board Statement No. 3 risk disclosures for Richfield Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 1,500	\$ 35,070
Uninsured and Uncollateralized	<u>-0-</u>	<u>-0-</u>
Total Deposits	<u>\$ 1,500</u>	<u>\$ 35,070</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$1,500 and the bank balance was \$35,070. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 100% of the total bank balance was covered by federal depository insurance.

Investments - P.A. 20 of 1943, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2005

NOTE C - CASH AND INVESTMENTS (CONTINUED):

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Township's name.

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Risk Categorized:					
Repurchase Agreements	\$ -0-	\$ -0-	\$1,051,634	\$1,051,634	\$1,051,634
Total Investments	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,051,634</u>	<u>\$1,051,634</u>	<u>\$1,051,634</u>

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consists of ambulance billings of \$24,542 and miscellaneous receivables of \$1,900.

NOTE E - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of amounts due from the State of Michigan of \$15,438.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2005

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2005 was as follows:

<u>Primary Government</u>	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Governmental activities:				
Land	<u>\$ 1,501</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,501</u>
Total capital Assets, not being depreciated	<u>1,501</u>	<u>-0-</u>	<u>-0-</u>	<u>1,501</u>
Capital assets, being depreciated:				
Building and improvements	279,977	9,713	-0-	289,690
Machinery and equipment	<u>580,583</u>	<u>150,905</u>	<u>10,000</u>	<u>721,488</u>
Total capital assets, being depreciated	<u>860,560</u>	<u>160,618</u>	<u>10,000</u>	<u>1,011,178</u>
Less accumulated depreciation for:				
Buildings and improvements	142,333	5,570	-0-	147,903
Machinery and equipment	<u>373,762</u>	<u>36,884</u>	<u>10,000</u>	<u>400,646</u>
Total accumulated depreciation	<u>516,095</u>	<u>42,454</u>	<u>10,000</u>	<u>548,549</u>
Net capital assets, being depreciated	<u>344,465</u>	<u>118,164</u>	<u>-0-</u>	<u>462,629</u>
Net governmental activities capital assets	<u>\$ 345,966</u>	<u>\$ 118,164</u>	<u>\$ -0-</u>	<u>\$ 464,130</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 3,817
Public safety	34,384
Public works	2,119
Recreation and cultural	<u>2,134</u>
Total depreciation expense - governmental activities	<u>\$ 42,454</u>

NOTE G - PENSION PLAN

The Township has a defined contribution pension plan covering substantially all of its elected and appointed officials and employees. Total pension expense for the year was \$10,724. Payments to the plan have been used to purchase pension benefits, so there are no separate plan assets.

NOTE H - LONG-TERM DEBT

As of March 31, 2005 Lyon Township had no outstanding long-term debt. However, on November 15, 2004 the township had entered into an agreement to purchase a custom pumper truck which required a deposit with CSI Emergency Apparatus, LLC of \$35,823. The total purchase price of the equipment is expected to be \$276,608 with \$107,725 being financed through a lease purchase agreement. The terms require three annual payments of \$39,186.75 starting June 15, 2006 with an interest rate of 4.499%.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2005

NOTE I - INSURANCE

The Township is a member of the Michigan Municipal Liability and Property Pool. As a member of the Pool, the Township is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 902,701	100
Liability	2,000,000	-0-
Errors and Omission	2,000,000	-0-
Medical	10,000	-0-
Automobiles	2,000,000	-0-
Crime	1,000	-0-
Inland Marine	456,000	100
Workmen's Compensation	STATUTORY	-0-

NOTE J - RESTRICTED NET ASSETS

The Board has restricted a portion of the fire fund net assets toward the purchase of fire fighting equipment. The restricted amount at March 31, 2005 is \$184,699.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

TOWNSHIP OF LYON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes and Assessments:				
General property taxes	\$ 111,202	\$ 111,202	\$ 116,491	\$ 5,289
Total Taxes and Assessments	<u>111,202</u>	<u>111,202</u>	<u>116,491</u>	<u>5,289</u>
Intergovernmental:				
State shared revenues	85,000	85,000	98,517	13,517
State swamp tax	<u>8,068</u>	<u>8,068</u>	<u>8,007</u>	<u>(61)</u>
Total Intergovernmental	<u>93,068</u>	<u>93,068</u>	<u>106,524</u>	<u>13,456</u>
Charges for Services:				
Ambulance fees	32,000	32,000	42,638	10,638
Other fees	20,725	20,725	14,109	(6,616)
Rent	<u>825</u>	<u>825</u>	<u>830</u>	<u>5</u>
Total Charges for Services	<u>53,550</u>	<u>53,550</u>	<u>57,577</u>	<u>4,027</u>
Licenses and Permits	<u>365</u>	<u>365</u>	<u>2,805</u>	<u>2,440</u>
Interest	<u>1,000</u>	<u>1,000</u>	<u>1,847</u>	<u>847</u>
Other:				
Cemetery lots and internments	5,500	5,500	6,450	950
Miscellaneous	<u>2,500</u>	<u>2,500</u>	<u>6,482</u>	<u>3,982</u>
Total Other	<u>8,000</u>	<u>8,000</u>	<u>12,932</u>	<u>4,932</u>
Total Revenue	<u>267,185</u>	<u>267,185</u>	<u>298,176</u>	<u>30,991</u>



TOWNSHIP OF LYON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Township Board				
Salaries-board	\$ 7,800	\$ 7,800	\$ 7,533	\$ 267
Wages-receptionist/clerical	3,000	3,625	4,380	(755)
Wages-building & grounds	10,750	11,513	12,154	(641)
Payroll taxes	12,000	12,000	10,917	1,083
Health insurance	14,300	7,800	6,931	869
Legal fees	12,000	17,852	17,787	65
Contractual fees	3,200	3,500	6,098	(2,598)
Professional services	500	500	900	(400)
Retirement	12,000	12,000	10,724	1,276
Utilities	2,400	2,400	3,376	(976)
Repairs and maintenance	350	350	127	223
Insurance and bonds	8,000	8,000	9,470	(1,470)
Printing and publishing	13,200	14,400	10,072	4,328
Postage	1,400	1,400	1,097	303
Office supplies	3,000	3,333	3,561	(228)
Dues and subscriptions	1,800	1,800	1,815	(15)
Street lights	2,500	2,500	1,677	823
Ambulance billing	14,000	15,000	18,407	(3,407)
Miscellaneous	1,150	900	244	656
Capital outlay	1,000	500	-0-	500
Total Township Board	<u>124,350</u>	<u>127,173</u>	<u>127,270</u>	<u>(97)</u>
Township Supervisor:				
Salary and wages	24,400	21,900	21,736	164
Mileage	500	-0-	-0-	-0-
Education and training	500	250	35	215
Total Township Supervisor	<u>25,400</u>	<u>22,150</u>	<u>21,771</u>	<u>379</u>
Township Assessor:				
Salary and wages	40,400	40,400	40,405	(5)
Fringe benefits	4,700	4,700	4,500	200
Supplies	3,750	3,250	-0-	3,250
Mileage	500	500	422	78
Postage	1,500	1,500	1,237	263
Continuing education	300	300	-0-	300
Miscellaneous	100	-0-	75	(75)
Total Township Assessor	<u>51,250</u>	<u>50,650</u>	<u>46,639</u>	<u>4,011</u>

TOWNSHIP OF LYON  
GENERAL FUND  
STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Election Board:				
Wages	\$ 3,000	\$ 2,500	\$ 2,586	\$ (86)
Contractual services	1,000	800	337	463
Mileage	100	100	21	79
Miscellaneous	400	400	1,044	(644)
Capital outlay	<u>1,400</u>	<u>500</u>	<u>-0-</u>	<u>500</u>
Total Election Board	<u>5,900</u>	<u>4,300</u>	<u>3,988</u>	<u>312</u>
Township Clerk:				
Salary and wages	21,700	21,700	22,608	(908)
Mileage	500	500	414	86
Miscellaneous	<u>1,750</u>	<u>1,550</u>	<u>90</u>	<u>1,460</u>
Total Township Clerk	<u>23,950</u>	<u>23,750</u>	<u>23,112</u>	<u>638</u>
Township Treasurer:				
Salary and wages	25,975	23,075	23,104	(29)
Postage	2,800	2,650	2,010	640
Mileage	400	400	604	(204)
Miscellaneous	<u>1,400</u>	<u>1,400</u>	<u>155</u>	<u>1,245</u>
Total Township Treasurer	<u>30,575</u>	<u>27,525</u>	<u>25,873</u>	<u>1,652</u>
Board of Review:				
Salaries	1,450	1,450	1,565	(115)
Miscellaneous	<u>225</u>	<u>225</u>	<u>27</u>	<u>198</u>
Total Board of Review	<u>1,675</u>	<u>1,675</u>	<u>1,592</u>	<u>83</u>

TOWNSHIP OF LYON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Township Hall:				
Contract services	\$ 2,400	\$ 3,922	\$ 3,929	\$ (7)
Utilities	4,500	4,500	3,820	680
Supplies	300	150	248	(98)
Insurance and bonds	1,200	1,200	959	241
Repairs and maintenance	1,000	6,200	234	5,966
Mileage	100	100	-0-	100
Miscellaneous	1,250	50	25	25
Equipment/building	<u>500</u>	<u>500</u>	<u>7,308</u>	<u>(6,808)</u>
Total Township Hall	<u>11,250</u>	<u>16,622</u>	<u>16,523</u>	<u>99</u>
Cemetery:				
Salaries and wages	1,000	1,000	1,415	(415)
Supplies	400	400	1,004	(604)
Contracted services	1,900	1,900	2,850	(950)
Milage	150	150	598	(448)
Utilities	300	300	829	(529)
Insurance	900	900	635	265
Repairs and maintenance	200	200	18	182
Miscellaneous	700	700	1,012	(312)
Capital Improvements	<u>10,000</u>	<u>10,000</u>	<u>-0-</u>	<u>10,000</u>
Total Cemetery	<u>15,550</u>	<u>15,550</u>	<u>8,361</u>	<u>7,189</u>
Ordinance Enforcement:				
Salaries and wages	7,050	4,050	2,582	1,468
Supplies	150	150	35	115
Mileage	1,000	1,000	254	746
Miscellaneous	<u>250</u>	<u>200</u>	<u>-0-</u>	<u>200</u>
Total Ordinance Enforcement	<u>8,450</u>	<u>5,400</u>	<u>2,871</u>	<u>2,529</u>
Planning Commission:				
Salaries and wages	3,150	3,150	2,435	715
Contracted Services	1,000	1,000	-0-	1,000
Continuing education	500	500	-0-	500
Miscellaneous	<u>50</u>	<u>50</u>	<u>410</u>	<u>(360)</u>
Total Planning Commission	<u>4,700</u>	<u>4,700</u>	<u>2,845</u>	<u>1,855</u>

TOWNSHIP OF LYON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005

General Government (continued)	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Board of Appeals:				
Salaries and wages	\$ 1,500	\$ 1,500	\$ 1,050	\$ 450
Miscellaneous	<u>150</u>	<u>150</u>	<u>-0-</u>	<u>150</u>
Total Board of Appeals	<u>1,650</u>	<u>1,650</u>	<u>1,050</u>	<u>600</u>
Total General Government	<u>304,700</u>	<u>301,145</u>	<u>281,895</u>	<u>19,250</u>
Building Administration:				
Zoning and meeting wages	3,800	3,800	3,615	185
Mileage	250	250	-0-	250
Miscellaneous	<u>200</u>	<u>200</u>	<u>-0-</u>	<u>200</u>
Total Building Administration	<u>4,250</u>	<u>4,250</u>	<u>3,615</u>	<u>635</u>
Parks and Recreation:				
Contracted services	250	250	177	73
Supplies	1,500	1,500	182	1,318
Utilities	600	600	428	172
Insurance	500	500	464	36
Repairs and maintenance	2,500	2,500	778	1,722
Miscellaneous	450	450	819	(369)
Capital Improvements	<u>8,500</u>	<u>2,500</u>	<u>-0-</u>	<u>2,500</u>
Total Parks and Recreation	<u>14,300</u>	<u>8,300</u>	<u>2,848</u>	<u>5,452</u>
Contingency	<u>56,258</u>	<u>56,258</u>	<u>-0-</u>	<u>56,258</u>
Total Expenditures	<u>379,508</u>	<u>369,953</u>	<u>288,358</u>	<u>81,595</u>
Excess:				
Revenue over (under) expenditures	<u>(112,323)</u>	<u>(102,768)</u>	<u>9,818</u>	<u>112,586</u>
Other financing sources (uses)				
Operating transfers (out)	<u>(1,500)</u>	<u>(1,500)</u>	<u>(2,445)</u>	<u>(945)</u>
Total Other Financing Sources (Uses)	<u>(1,500)</u>	<u>(1,500)</u>	<u>(2,445)</u>	<u>(945)</u>
Excess:				
Revenue & other financing sources over (under) expenditures & other financing uses	(113,823)	(104,268)	7,373	111,641
Fund Balance - April 1	<u>113,823</u>	<u>113,823</u>	<u>266,588</u>	<u>152,765</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ 9,555</u>	<u>\$ 273,961</u>	<u>\$ 264,406</u>

TOWNSHIP OF LYON  
ROAD IMPROVEMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 46,685	\$ 46,685	\$ 48,868	\$ 2,183
Interest	500	500	721	221
Other	<u>2,000</u>	<u>2,000</u>	<u>11,709</u>	<u>9,709</u>
Total Revenues	<u>49,185</u>	<u>49,185</u>	<u>61,298</u>	<u>12,113</u>
Expenditures:				
Road Improvements	<u>99,230</u>	<u>99,230</u>	<u>88,410</u>	<u>10,820</u>
Total Expenditures	<u>99,230</u>	<u>99,230</u>	<u>88,410</u>	<u>10,820</u>
Excess:				
Revenues over (under) expenditures	(50,045)	(50,045)	(27,112)	22,933
Fund Balance - April 1	<u>50,045</u>	<u>50,045</u>	<u>95,194</u>	<u>45,149</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 68,082</u>	<u>\$ 68,082</u>

TOWNSHIP OF LYON  
FIRE FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 232,902	\$ 232,902	\$ 243,791	\$ 10,889
Federal	-0-	41,040	61,740	20,700
Interest	2,600	2,600	4,260	1,660
Other	-0-	-0-	5,000	5,000
Total Revenues	<u>235,502</u>	<u>276,542</u>	<u>314,791</u>	<u>38,249</u>
Expenditures:				
Wages	89,300	89,300	67,423	21,877
Fringe benefits	6,000	6,000	5,155	845
Utilities	7,150	7,150	5,439	1,711
Office supplies	400	400	1,368	(968)
Communication	2,400	2,400	1,330	1,070
Training & education	9,000	9,000	5,287	3,713
Insurance	15,500	15,500	15,697	(197)
Supplies	5,150	5,150	7,321	(2,171)
Repairs and maintenance	11,000	11,000	2,188	8,812
Services	2,800	2,800	615	2,185
Mileage	800	800	246	554
Miscellaneous	17,799	17,799	380	17,419
Equipment/building	<u>240,522</u>	<u>281,562</u>	<u>153,311</u>	<u>128,251</u>
Total Expenditures	<u>407,821</u>	<u>448,861</u>	<u>265,760</u>	<u>183,101</u>
Excess:				
Revenues over (under) expenditures	(172,319)	(172,319)	49,031	221,350
Fund Balance - April 1	<u>172,319</u>	<u>172,319</u>	<u>401,608</u>	<u>229,289</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 450,639</u>	<u>\$ 450,639</u>

TOWNSHIP OF LYON  
SANITATION FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Special Assessments	\$ 202,320	\$ 202,320	\$ 202,680	\$ 360
Interest	2,200	2,200	2,681	481
Other	<u>300</u>	<u>300</u>	<u>452</u>	<u>152</u>
Total Revenues	<u>204,820</u>	<u>204,820</u>	<u>205,813</u>	<u>993</u>
Expenditures:				
Wages	8,050	8,050	5,263	2,787
Fringe benefits	700	700	574	126
Contracted services	209,300	209,300	197,549	11,751
Mileage	700	700	1,358	(658)
Repairs and maintenance	1,000	1,000	1,016	(16)
Miscellaneous	65,613	65,813	601	65,212
Capital outlay	<u>40,000</u>	<u>40,000</u>	<u>-0-</u>	<u>40,000</u>
Total Expenditures	<u>325,363</u>	<u>325,563</u>	<u>206,361</u>	<u>119,202</u>
Excess:				
Revenues over (under) expenditures	(120,543)	(120,743)	(548)	120,195
Fund Balance - April 1	<u>120,543</u>	<u>120,743</u>	<u>306,783</u>	<u>186,040</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 306,235</u>	<u>\$ 306,235</u>

TOWNSHIP OF LYON  
BUILDING FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2005

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
License and permits	\$ 38,950	\$ 38,950	\$ 26,700	\$ (12,250)
Interest	50	50	25	(25)
Total Revenues	<u>39,000</u>	<u>39,000</u>	<u>26,725</u>	<u>(12,275)</u>
Expenditures:				
Wages	12,250	12,250	11,060	1,190
Fringe benefits	900	900	843	57
Office supplies	200	200	277	(77)
Insurance	300	300	95	205
Contracted services	25,050	25,050	16,371	8,679
Mileage	400	400	328	72
Miscellaneous	<u>1,400</u>	<u>1,400</u>	<u>65</u>	<u>1,335</u>
Total Expenditures	<u>40,500</u>	<u>40,500</u>	<u>29,039</u>	<u>11,461</u>
Excess:				
Revenues over (under) expenditures	<u>(1,500)</u>	<u>(1,500)</u>	<u>(2,314)</u>	<u>(814)</u>
Other financing sources (uses) Operating transfers (in)	<u>1,500</u>	<u>1,500</u>	<u>2,445</u>	<u>945</u>
Total Other Financing Sources (Uses)	<u>1,500</u>	<u>1,500</u>	<u>2,445</u>	<u>945</u>
Excess:				
Revenue & other financing sources over (under) expenditures & other uses	-0-	-0-	131	131
Fund Balance - April 1	<u>-0-</u>	<u>-0-</u>	<u>250</u>	<u>250</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 381</u>	<u>\$ 381</u>





# Anderson & Decker, P.C.

## **CERTIFIED PUBLIC ACCOUNTANTS**

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

August 10, 2005

Township Board  
Lyon Township  
Roscommon County, Michigan

Dear Board:

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Lyon Township for the year ended March 31, 2005, which collectively comprise Lyon Township's basic financial statements and have issued our report thereon dated August 10, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Lyon Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Lyon Township in a separate letter dated August 10, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lyon Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Lyon Township in a separate letter dated August 10, 2005.

This report is intended for the information of the audit committee, management, and the Township Board, and is not intended to be, and should not be used by anyone other than these specific parties.



ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**TOWNSHIP OF LYON**  
**REPORT TO MANAGEMENT**  
**MARCH 31, 2005**



# Anderson & Decker, P.C.

## CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653  
(989) 275-8831

August 10, 2005

Township Board  
Lyon Township  
Roscommon County, Michigan

In planning and performing our audit of the financial statements of the Township of Lyon, Roscommon County, as of and for the year ended March 31, 2005, we considered the Township's accounting, operational, and internal control procedures to determine the nature and extent of our audit testing for the purpose of expressing an opinion on the financial statements of the Township and not to provide assurance on the procedures themselves.

We did however, during the course of our audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated August 10, 2005, on the financial statements of the Township of Lyon.

We have already discussed these comments and suggestions with the Township's personnel, and we will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

ANDERSON & DECKER, P.C.  
CERTIFIED PUBLIC ACCOUNTANTS

**LYON TOWNSHIP  
COMMENTS AND RECOMMENDATIONS  
MARCH 31, 2005**

**Bank Accounts**

The common checking account was not properly reconciled by the Treasurer during the fiscal year. In addition, a reconciliation between the Clerk's general ledger and the Treasurer's records did not occur during the year resulting in several differences at year end. We recommend that the Treasurer preform a complete reconciliation of each account within a week of receiving the bank statements. Secondly, the Clerk should reconcile the general ledger to the Treasurer's records on a monthly basis.

**Health Insurance Benefits**

The Township offers Blue Cross/Blue Shield health insurance benefits to its full time employees. It also adopted a policy in February of 2003 to cover full time employees in an amount not to exceed \$278.20 per month with a provider of there choice. This insurance was to be for a single person only. The Township had an official which elected to keep their existing health insurance and receive reimbursements for the coverage. Because the payment was made directly to the person rather than the insurance company, the payments should be included on the employees W-2 as taxable income. Secondly, the official was reimbursed for a family plan rather than a single person resulting in an over payment of \$2,275.98 It is our understanding that the official is repaying this amount to the Township.

We recommend that the Township adopt a policy that specifically addresses the insurance companies it will allow into its plan and if it is to be a "cafeteria plan", it be adopted in accordance with IRS Code Section 125.

**Receipts**

Receipts should be issued for each individual payment received. They should be issued in numerical order, initialed as to who wrote them, filled out completely and dated. During our test work, we found where several receipt books were being used simultaneously, receipts were written out of order and several payments from different sources were grouped on a single receipt. We recommend that greater care be given to the receipt process and the Treasurer ensure that proper procedures be followed.